DOCUMENT RESUME

ED 312 334 UD 027 042

AUTHOR Castellanos, Eulalio; And Others
TITLE The Widening Divide: Income Inequality and Poverty in Los Angeles.
INSTITUTION California State Univ., Los Angeles. Graduate School of Architecture and Urban Planning.
PUB DATE 89
NOTE 19p.
PUB TYPE Information Analyses (070) -- Statistical Data (110)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Economically Disadvantaged; Economic Development; *Economic Factors; Economic Research; *Income; Minority Group Children; *Minority Groups; Poverty; Sex Discrimination; *Socioeconomic Status; Statistical Analysis; Urban Demography; Urban Problems
IDENTIFIERS *California (Los Angeles); *Economic Growth

ABSTRACT

This document summarizes findings from the Research Project on Income Inequality and Poverty in Los Angeles. The figures reported are based on an analysis of published and unpublished data sets, including the Public Use Microdata Sets for the 1970 and 1980 decennial Census of Population, the Current Population Surveys, and the American Housing Survey. The following summary findings are discussed: (1) although Los Angeles has undergone massive growth over the past two decades that has benefited the region economically, the expansion has transformed the area into a more ethnically diverse and multilingual community in which no single group constitutes a majority and large income disparities have developed between low-wage Latino, Chicano, and Black workers and high-wage Anglo and Asian workers; (2) the economic expansion has failed to eliminate many existing forms of social inequality and, especially in the case of Black and Hispanic women, has increased inequalities between groups; (3) the most dramatic result of economic inequality has been the growth in poverty for all lower income households and the increasing difficulty in obtaining affordable housing; and (4) future prospects indicate that the present social inequalities will be perpetuated over the next generation and that the burden of poverty will shift from the elderly to minority youth, for whom access to employment and higher education will be critical. Statistical data are included on six graphs and three tables. A glossary is appended. (FMW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

8.15.89

ED312334

The Widening Divide

Income Inequality and Poverty in Los Angeles

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Paul Ong
UCLA

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

by the Research Group on the Los Angeles Economy

UD 027 042

BEST COPY AVAILABLE

The Widening Divide

Income Inequality and Poverty in Los Angeles

Diego Cardoso

by the Research Group on the Los Angeles Economy

Eulalio Castellanos
Luz Echavarria
Ann Forsyth
Yvette Galindo
Paul Ong, Project Director
Mary Richardson
Sarah Rigdon Bensinger
Paul Schimek
Holly Van Houten

With the assistance of
Judith Gregory
Clyde Woods

This brochure summarizes findings from the Research Project on Income Inequality and Poverty in Los Angeles supervised by Professor Paul Ong. The full report is available from the Urban Planning Program at UCLA. The project has four objectives: to develop an understanding of the magnitude and nature of poverty in Los Angeles from 1969 to 1988; to compare the experience of Los Angeles with the nation; to study the impact of these trends on racial and gender groups; and to produce and disseminate information to inform the public, guide the formulation of public policy, and provide community-oriented organizations with updated information. This brochure is one response to the fourth aim.

The figures presented here are based on analyses of published and unpublished data sets, including the Public Use Microdata Sets for the 1970 and 1980 decennial Census of Population, the Current Population Surveys, and the American Housing Survey. This research was supported in part by the American Jewish Committee, the Institute of American Cultures at UCLA, and the Urban Planning Program at UCLA. We are also indebted to our advisory committee and the faculty at Urban Planning, who provided invaluable insights, and the UCLA Institute for Social Science Research, which provided access to numerous data sets. We alone, however, are responsible for the findings and interpretations.

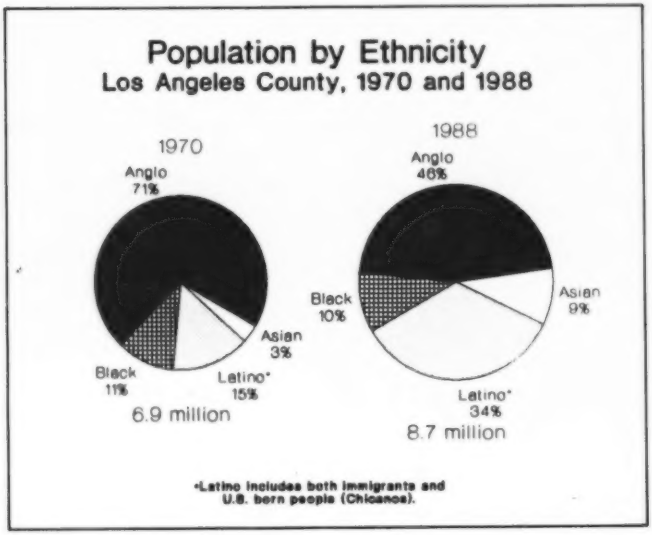
Copyright © 1989
by the Research Group on the Los Angeles Economy

Growth, Prosperity, and Impoverishment

Los Angeles in the past two decades has undergone immense change, driven by the massive restructuring of work and production that has transformed the entire United States as it becomes part of a more integrated world economy. America is now less dominant and international competition more fierce. In many ways, Los Angeles has led the way in this transformation, emerging as America's premier financial and corporate center in the developing Pacific Rim economy, attracting both foreign capital and foreign labor to fuel growth. The older East Coast cities have seen sharp declines in manufacturing jobs and slow growth in other sectors. Los Angeles has maintained a strong manufacturing base--it is now the single largest industrial region in America--while also enjoying robust growth in the non-manufacturing sectors. Although Los Angeles is not immune to the business cycle, as evidenced by the 10.9 percent unemployment rate during the last recession in the first quarter of 1983, the underlying trend has been upward.

This growth has benefitted the region economically. By 1986, total personal income was 141 billion dollars, a sum that would have placed Los Angeles County among the top 15 nations, about the same size as the national economies of Australia, Mexico or Spain. With economic growth exceeding population growth, the region has experienced a real increase in per capita income and has maintained a per capita income well above the national average. Growth has also created a large group of highly paid workers. About 12 percent of all full-time workers in Los Angeles earned $44,000 or more, a higher percentage than for the nation as a whole (8.5 percent). Many of these high-wage workers have benefitted from L.A.'s emergence as a corporate center, as well as the rise in military spending--Los Angeles County alone receives approximately a tenth of national defense expenditures.

The expansion of the seventies and eighties has also transformed Los Angeles into a more ethnically diverse and multilingual community. L.A.'s population has grown and by the mid-eighties no single ethnic group constituted a majority. Part of this is a result of international migration which doubled the foreign-born population in the seventies.



By 1980 the foreign-born constituted over one-fifth of the population. Although there are no exact statistics for the eighties, indirect evidence shows that international migration has continued unabated. This immigration has been dominated by people from Mexico and other parts of Central and South America as well as from Asia. Los Angeles is now home to the largest concentration of Mexicans, Koreans, Guatemalans, Taiwanese and Salvadorans outside their native countries. The infusion of new people from throughout the world has reinvigorated the local economy and culture, providing not only a source of highly motivated workers but also new arts, social institutions, foods, and cultures.

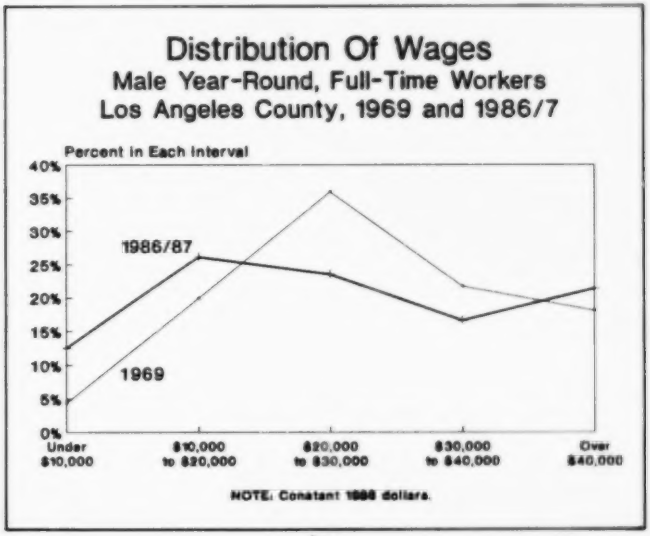
Unfortunately, prosperity has not benefitted everyone. Inequality and poverty in Los Angeles are greater today than two decades ago. The growth in inequality appeared earlier

Table 1. Poverty Rate and Income Disparity

	Los Angeles			United States		
	1969	1979	1987	1969	1979	1987
Income Ratio*	.118	.097	.098	.138	.125	.105
Poverty Rate	11.0	13.4	15.6	12.1	11.7	13.5

*Income ratio is defined as the share of all family income going to the poorest fifth divided by the share going to the richest fifth.

in Los Angeles than the nation as a whole, and income disparity and impoverishment is currently more pronounced. In the late 1960s the poverty rate was lower in L.A. than nationally, but this relationship *reversed* in the 1970s. Inequality can also be seen in the relatively large number of workers who earn less than the amount needed to lift a family of four out of poverty. Although in the 1960s there was a smaller percentage of these low-wage workers in L.A. than in the U.S., by 1987, 17.5 percent of all year-round, full-time workers in Los Angeles earned low wages, com-



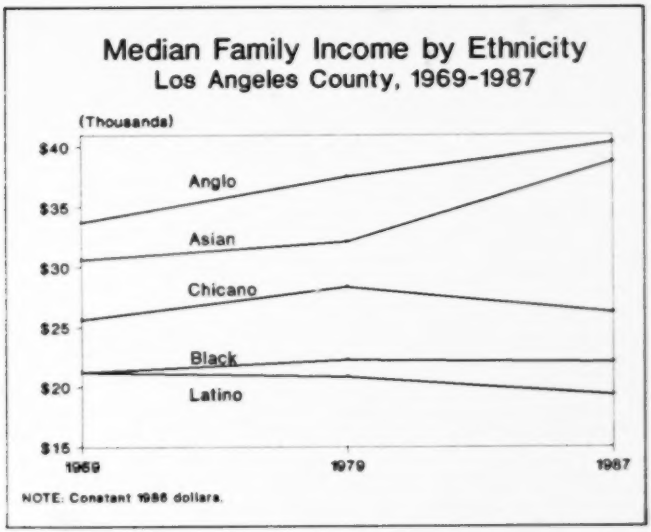
pared to only 15.7 percent in the U.S. The overall result of this growth in both high-wage and low-wage jobs has been a disturbing decline in the middle range of the wage distribution, especially for men.

A significant share of the growth of inequality and impoverishment is linked to one component of L.A.'s growth, the influx of immigrants with limited education and skills. Among Mexicans, who constitute the single largest immigrant group, about three-quarters of adults do not have a high school education. They have been incorporated within the Los Angeles economy as low-wage workers, particularly in labor-intensive manufacturing. In fact, most of the additional low-wage jobs have been filled by Latino immigrants. The poverty rate among Latinos has been growing alarmingly. Thus, demographic shifts help explain some of the dramatic ethnic recomposition of the poverty population. Since there is evidence that immigrants' earning power increases as they gain work experience in the US economy, some of the new impoverishment is temporary. Immigration alone, however, does not tell the whole story of inequality in Los Angeles.

Social Dimensions of Economic Inequality

A particularly troubling aspect of the current economic expansion is that, contrary to conventional wisdom, growth has failed to eliminate many existing forms of social inequality. The rapid transformation of L.A.'s economy has maintained, and in some cases increased, inequalities between groups. For example, the racial gap in family income has widened. While there have been steady increases in the median income of Anglo and Asian families, Black family income has stagnated and Latino and Chicano families have had declining incomes (after adjusting for inflation).

Women participating in wage work continue to be



concentrated in low-paying jobs. Despite two decades of equal employment opportunity initiatives, and a dramatic increase in female labor force participation and the importance of women's wages to family incomes, women remain segregated into a few occupations. These occupations are typically characterized by low wages, low job security, and little room for advancement. Since 1969 the gender gap has closed: by 1987 women working full-time and year-round on average earned 71 percent of what men did. However, part of this closing of the gap is the result of the decline in male wages. Had men's wages not fallen since 1969, the figure would instead have been 64 percent. Moreover, there are still clear differences in opportunities for women according to ethnicity.

On average, native-born women of all ethnic backgrounds experienced real growth in income. However, the continuing disparity in labor force outcomes for women of different ethnic and racial groups becomes magnified when put together with differences in household structure. Anglo women's wages are typically combined with the higher wages of Anglo men to form high household incomes, while Black, Chicana and Latina women's wages are more often the sole source of family income or are combined with the lower

wages of their husbands. Chicanas and Black women are hit particularly hard by both sex and racial discrimination.

The earnings disparity among native-born men of different races has grown. Even after accounting for education and years of experience, Black and Chicano men earn less than Anglo men. Worse, this cost of being a minority has grown over time. Whereas native-born Chicano men earned 10 percent less in 1970 than similarly trained Anglo men, in 1987 they earned about 20 percent less. The level of economic discrimination against Black men has been consistently high throughout the past two decades. In 1987 Black men on average earned 30 percent less than Anglo men with similar education and work experience. With the dramatic economic changes of these two decades, wage inequalities have persisted or even worsened.

Diego Cardoso

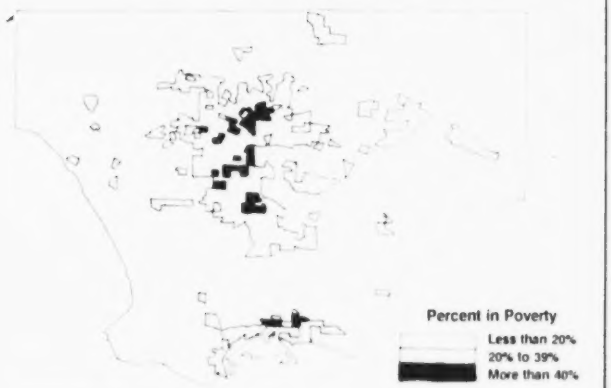
Foreign-born Angelenos comprise over one-third of the labor force. In 1980 *most* groups of immigrants continued to integrate into the Los Angeles labor market at about the same rate as did their compatriots in 1970. This relatively unchanged level of economic integration represents the reproduction of systematic differences in incomes between groups--Mexicans and other Central and South Americans continue to be at the bottom of the income ladder. Moreover, some of the new immigrants--particularly Mexican men--are doing worse than similar groups who arrived in the 1960s.

The Changing Faces of Poverty

The most dramatic result of economic inequality has been the growth in poverty. There is more diversity than commonality among the poor, indicating that poverty is complex. Although Latinos and Chicanos comprise the single largest group, poor people in Los Angeles come from every background. There has also been a large growth in poverty in the Asian community. The Asian poverty rate is twice the Anglo rate, despite the high educational attainment of some Asians. Poverty is both a problem of low wages and of not being able to participate in the paid labor force. Among poor adults who are able to work, more than half do. There is an even larger group of workers who are in danger of falling into poverty. Although the large majority (86 percent) of low-wage workers live in households that are not in poverty, more than a third of them are in families earning less than one and a half times the poverty line. Any temporary setback, such as illness or layoff, can easily push these families into poverty.

There is no single type of person or household in poverty. On the one hand, there has been a feminization of poverty: in Los Angeles, only 7 percent of all households are headed by women with children under 18, in comparison to 28 percent of poor households. It is important to note,

Concentration of Poverty
Los Angeles County, 1980



Shirl Buss & Paul Ong

however, that the poverty rate increased for *all* households with children and decreased for all types of households without children. As a result, the problem of children

Table 2. Poverty by Ethnicity, Los Angeles County

	Persons Below Poverty (thousands)			Poverty Rate (percent)		
	1969	1979	1987	1969	1979	1987
Total	758	983	1,358	11.1	13.4	15.6
Anglo	381	287	277	7.8	7.5	6.9
Black	181	215	208	24.2	23.2	24.5
Latino*	170	387	756	16.6	19.2	25.2
Asian	26	94	117	11.2	14.6	14.2

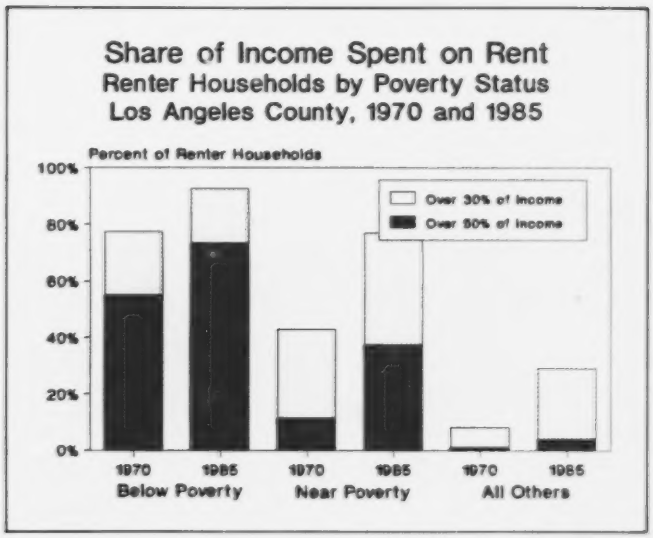
*Includes both immigrants and U.S.-born people (Chicanos).

growing up in poverty is equally divided between children living in married couple families and children living in female-headed families.

One thing that poor people share is the increasing financial burden in obtaining housing. Since 1970 more and

more of those at the lower end of the economic scale have found themselves squeezed out of the home-buying market. In addition, these households are forced to pay an increasingly large share of their income for rent. By 1985 three-quarters of poor renter households were paying *half* or more of their income for shelter. Because of their limited economic resources, low-income households are being restricted to older housing and are living in increasingly crowded conditions. Some are forced into illegal shelters such as garages, or worse, are joining the swelling ranks of the homeless population.

Even when poor people are able to find housing, most live in neighborhoods where poverty is concentrated. Racial discrimination and low incomes severely limit their shelter options. Los Angeles has two types of low-income areas defined by race, but also defined by different levels of attachment to the formal economy. In Black neighborhoods poverty is more likely to be related to residents not having jobs, while in Chicano and Latino neighborhoods many poor people work, but in low-wage jobs.



Tyler Bensinger

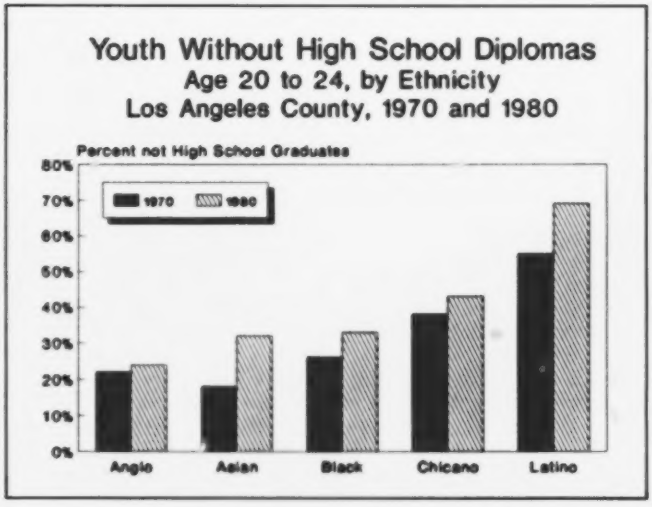
Future Prospects

We see disturbing trends indicating that current inequalities will be perpetuated over the next generation. Whereas poverty used to be more of a threat to older people, it has become increasingly a problem of the young. The poverty rate of the elderly declined significantly in the seventies and remained low during the eighties, a notable success of American social policy, particularly Social Security. The most troubling development, however, is the rapid increase in both the number and percentage of children in poverty. By 1987, children and teenagers constituted half of the poor in Los Angeles, and over a quarter of all children lived in poverty. For Black, Chicano, and Latino children, the rate was even higher, with over a third living in poverty.

Table 3. Poverty by Age, Los Angeles County

	Persons Below Poverty (thousands)			Poverty Rate (percent)		
	1969	1979	1987	1969	1979	1987
Total	750	983	1,358	11.1	13.4	15.6
0-18	332	406	665	13.7	18.8	26.3
19-24	80	146	113	12.5	17.3	15.4
25-44	140	255	352	7.9	11.4	11.5
45-64	103	115	134	6.9	8.1	8.9
65 & older	113	65	75	17.8	9.4	10.2

It is crucial that public schools educate these children so they can have access to employment and higher education. However, the educational attainment of young adults has not been encouraging. An astonishing proportion of teenagers do not make it through high school. In 1980, one-third of young Blacks (20 to 24) and two-fifths of young Chicanos did not have a high school diploma. Those without high school degrees have a high chance of being jobless, and those fortunate enough to find work are likely to be low-wage workers.



The problem of high school drop outs is deeply rooted in a current educational crisis in the Los Angeles Unified School District that permeates down to the earliest grades and threatens to perpetuate the high drop-out rate in the future. Educational difficulties show up in standardized test scores, which in Los Angeles are at the bottom half of the distribution of State test scores. Low scores are a particularly acute problem in low-income, minority communities. To make matters worse, the implementation of year-round schools has had a detrimental effect. Scores in these schools are lower than traditional schools in the same area, even after controlling for family occupational status, poverty,

Norm Schindler/ASUCLA

limited English proficiency and ethnicity. Minorities, particularly Chicanos and Latinos, bear the burden of this inadequate education. Low test scores in the first years of elementary school are the initial stage of a pattern of educational difficulties, often ending in failure to get a high school diploma. Even those who do graduate may not be adequately prepared to survive in the labor market.

A New Commitment

We believe that the failure of economic growth to foster equality requires a new commitment to ending poverty. Prosperity alone does not necessarily eliminate poverty nor reduce inequality--as we have seen, it has had the opposite effect. Despite the increasing gap between rich and poor and the continuing crisis in L.A.'s minority communities, high levels of poverty are *not* inescapable. This region has the economic and human resources to overcome these problems--but has as yet lacked the political will. Although it is not fashionable to call for increased public intervention in this period, we believe that government can and must play a larger role.

Paradoxically, times of crisis open opportunities for innovative and creative policies. We must confront the problem of growing numbers of people--many of them working full-time--who lack access to basic necessities. Their plight requires bold initiatives in health, housing, education, transport, and child care. Local government can also help raise the living standards of low-wage workers, particularly immigrants and women, by supporting labor organization, collective bargaining, and the principle of comparable worth.

We must reduce the structural barriers that create and maintain inequality. Although poor parents make tremendous sacrifices to improve the well-being of their children, the efforts of parents are often insufficient. The public has a responsibility to give young people a more equal start in life by eliminating systematic differences in educa-

tional opportunities. Removing discrimination in education, employment, and earnings, however, will require conscious political action.

Clearly, there are examples of public policies and programs that have made a profound impact. Over the last two or three decades, this nation has dramatically reduced poverty among older people. Recent re-evaluations of components of the War on Poverty show that many programs are effective in preventing poverty. It is in the public's broader interest to reduce, if not eliminate, poverty. The economic and social costs of *not* doing so will inevitably be high.

Glossary

Anglo non-Hispanic white.

Asian includes primarily Asians but also Native Americans and people who did not classify themselves in any of the other racial categories. In immigration data it refers to foreign-born Asians only.

Black includes both non-Hispanic and Hispanic Blacks. Hispanic Blacks are a small proportion of Los Angeles's Black population.

Chicano U.S.-born Hispanic.

Economic integration the process by which immigrants gradually attain the wage levels of U.S.-born workers of the same ethnic group, skill, age, and education.

Labor force participation rate the number of people in the labor force (either working or looking for work) divided by the total population.

Latino foreign-born Hispanic, primarily from Mexico and Central America; only where indicated, also includes Chicanos.

Los Angeles all figures reported refer to the Los Angeles-Long Beach Standard Metropolitan Statistical Area (SMSA), which is the same as Los Angeles County.

Near poverty between the poverty line and 1.5 times the poverty line (see **Poverty rate** below).

Poverty rate the percentage of all persons below the poverty line, which is roughly three times the cost of food needed to maintain minimal nutrition for a family. The official poverty rate surely understates the amount of economic deprivation in Los Angeles because the food budget used to determine the poverty cutoff is unrealistically small, and also because most families need to spend more than one third of their income on necessities besides food.

Real wages or income earnings inflated or deflated to 1986 price levels using the Consumer Price Index (CPI).